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TRADE AND DEVELOPMENT BOARD

Seventeenth Session (First part)

SUMMARY RECORD OF THE 470TH MEETING

held at the Palais des Nations, Geneva,
on Thursday, 25 August 1977, at 3.40 p.m.

President: Mr. de ALWIS (Sri Lanka)

CONTENTS

Interdependence of problems of trade, development finance and the international monetary system (agenda item 4) (continued)

Other particular matters in the field of trade and development (agenda item 6) (continued)

(a) Export promotion: report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT and its tenth session

(b) Progressive development of the law of international trade: tenth annual report of the United Nations Commission on International Trade Law

(c) Progress in the implementation of:

(i) Special measures in favour of the least developed among the developing countries

(ii) Specific action related to the particular needs and problems of island developing countries

(iii) Specific action related to the particular needs and problems of land-locked developing countries

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CONTENTS (continued)

(d) Trade and economic aspects of disarmament

(e) Impact of environment policies on trade and development, in particular of the developing countries

Other business (agenda item 8)

(f) Draft resolution entitled "Impact of regional economic groupings of the developed countries on international trade, including the trade of developing countries"

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM (agenda item 2) (TD/B/665 and Add.1, UNCTAD/GA/1015, TD/B/L.360) (continued)

1. The PRESIDENT drew attention to draft resolution TD/B/L.360 submitted by the African group. In view of the request by the Saudi Arabian representative that further time should be allowed to consider the item, he proposed to defer further consideration to a later meeting.

2. It was so agreed.

OTHER PARTICULAR MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT (agenda item 6) (continued)

(c) PROGRESS IN THE IMPLEMENTATION OF:

(i) SPECIAL MEASURES IN FAVOUR OF THE LEAST DEVELOPED AMONG THE DEVELOPING COUNTRIES

(ii) SPECIFIC ACTION RELATED TO THE PARTICULAR NEEDS AND PROBLEMS OF ISLAND DEVELOPING COUNTRIES

(iii) SPECIFIC ACTION RELATED TO THE PARTICULAR NEEDS AND PROBLEMS OF LAND-LOCKED DEVELOPING COUNTRIES

(TD/B/AC.21/2, TD/B/AC.21/3, A/32/126)

3. Mr. TAHZI (Afghanistan) said that the developing countries, and particularly the least developed among them, had reached a point of no return in their economies through circumstances beyond their control and manipulation by others. The ever-widening gap in development, their worsening terms of trade, the draining of their resources, and their ever-increasing debt burdens, had given rise to a reaction by them which had led to the first session of UNCTAD in 1964 and had heralded the new international economic order.

4. Unfortunately, an irrational determination to maintain the status quo, combined with a lack of political will, had so far impeded the effective implementation of the new order. There had, over the years, been a continuous stream of unfulfilled promises to improve the economic conditions and terms of trade of the least developed countries. UNCTAD resolutions 24 (II) and 62 (III) recognized the special problems confronting those countries and the need for special measures to ensure their sustained economic growth. For 10 years since then, however, no real progress had been made towards the implementation of those resolutions. In 1971, the United Nations General Assembly had approved a list of

25 least developed countries, and four had been added later, the total population exceeding 300 million and the average per capita income being about $100. The economies of the least developed countries depended heavily on the production of a few primary commodities for their export earnings. According to GATT, the export of three products accounted for more than two-thirds of total export earnings in almost all cases, and the total earnings of all those countries over the three-year period 1970-1972 had been only about $2 billion, while their share in world exports had been about 0.7 per cent and their share in the total exports of all developing countries little more than 3 per cent.

5. The proposal for the creation of a special fund made in UNCTAD resolution 62 (II), had finally materialized after considerable delay through General Assembly resolution 3202 (S-VI), but with completely changed terms of reference which weakened the fund and diverted it so that it could no longer properly be described as a fund for the least developed countries.

6. Despite the urgency for the least developed countries to find a solution to the problem of their external indebtedness, which had risen from $21.6 billion in 1961 to $60 billion in the late 1960s and $180 billion in 1977, the problem had on the whole been given perfunctory treatment.

7. The debt problems of the developing countries, particularly the least developed countries, had been thoroughly discussed by the Group of 77 at Manila and at the fourth session of UNCTAD. Because of delaying tactics by various countries, little had been accomplished at Nairobi with regard to the implementation of UNCTAD resolution 90 (IV), and it had been relegated to the less effective forum of the Trade and Development Board at its sixteenth session. His delegation hoped that that vital issue would have a better chance of success at the ministerial meeting in January 1978. It had been commented on at the recent London Summit Conference, at high-level EEC meetings, and at the North-South dialogue in Paris.

8. The capacity to repay loans was primarily a function of the productivity of investments. Grant aid was imperative for the least developed countries, where projects were often of low or uncertain productivity which could neither expand exports nor substitute for imports.

9. Some positive steps had been taken in the North-South dialogue with regard to aid in agriculture and food supplies, but the non-acceptance by most developed countries of the 0.7 per cent gross national product commitment had been disappointing. Furthermore, the protectionist policies in agriculture increasingly adopted by a number of developed countries made the export promotion prospects of the least developed countries gloomy. Similarly, with regard to the Common Fund, which was important for buffer stock creation as a means of raw material price stabilization, little or no headway had been made either at the Negotiating Conference on the Common Fund or at the Paris Conference. It was disturbing to observe that even the exemption of the least developed countries from buffer-stock pre-financing, categorically agreed upon at the second Ministerial Meeting of the Group of 77 in 1972 and endorsed at Nairobi, had been strongly questioned by many representatives at Geneva.

10. The generalized system of preferences, although one of the few beneficial schemes in favour of the least developed countries, was restricted by the utilization of various non-tariff and administrative barriers. Protectionist policies impeded the access of the least developed countries to markets and weakened for them the concept of comparative advantage, which presupposed a stable price index for their exports.

11. In view of the limitations of agricultural production, industrialization was imperative if the developing countries were to raise their standards of living and promote their economic and social development. Little had, however, been done to assist them in their industrialization efforts, despite appeals by the Second General Conference of UNIDO. Meanwhile, the least developed countries, with subsistence-level economies in which a major portion of any investment had to be utilized for consumption because of the unrealistic prices of materials, were steadily falling behind, and most of them could hardly hope to attain the target of 25 per cent of industrial production by the year 2000.

12. With regard to the transfer of resources and international liquidity, one of the most beneficial mechanisms for the transfer of real resources was the link between Special Drawing Rights and development finance, without an equivalent sacrifice of resources on the part of the least developed countries, but although proposed by UNCTAD in 1970, it had yet to be implemented.

13. Despite a multitude of measures in favour of the least developed countries in the field of transfer of technology, little had been achieved, mainly because of lack of accessibility and high transfer costs. His delegation feared that the proposed code of conduct for the transfer of technology would be so weakened by the time it received universal approval that it might lose its usefulness, particularly for the least developed countries. The search for more practical solutions should therefore not be abandoned.

14. In the monetary sector, it had been observed how outside policies had created havoc in the savings and balance-of-payments situation of the developing world. The least developed countries had been particularly vulnerable to the monetary crisis, being caught in a powerful pincer action of inflation and recession.

15. All those events focused attention on the need for rationalization of the structure and permanent machinery of UNCTAD, particularly with regard to monetary and fiscal policies, in which UNCTAD had little or no decision-making capacity. In the absence of a rational institutional restructuring, and a greater voice and decision-making capability in fields outside its present competence, UNCTAD could not take comprehensive steps in regard to the trade and development of the developing countries.

16. The debt problem of the least developed countries called for a new approach and for recognition of the fact that it was inextricably bound up with the achievement of the development goals to which the international community was committed; otherwise many of those countries might find their debt obligations and total import

commitments exceeding their foreign exchange resources. His delegation therefore proposed in respect of the least developed countries: the immediate implementation of UNCTAD resolution 98 (IV); payment of a portion of their loan repayments in national currency; interest rates for development loans that took account of repayment capacity; and non-tied loans for the purchase of capital equipment or non-project assistance.

17. UNCTAD had so far made no thorough study of the vital debt issue. His delegation therefore proposed that it appoint an expert group to make a detailed study of the debt problems of the developing and least developed countries, with particular emphasis on the negative effects of external indebtedness of their economic growth rates, for submission to the Board at its eighteenth session.

18. With regard to the problems of the land-locked developing countries and the doubly-disadvantaged position of the least developed countries in that category, the principles enunciated at the first session of the Conference contained many provisions in favour of those countries, including their right to free access to the sea, which had yet to be translated into action. Indeed, the scramble for the products of the oceans by a large number of coastal countries was making a mockery of the concept of the oceans as the common heritage of mankind. The land-locked countries had long been denied even fishing facilities, and the extension of territorial waters to 200 miles further restricted the inalienable right of the land-locked countries to free access to the sea.

19. Surprisingly, shipping had not been included in the agenda of the fourth session of the Conference, and at the sixteenth session of the Board no real effort had been made to come to grips with the main issues, including the arbitrary rate increases applied to the export-import trade of the land-locked countries. The recommendation in UNCTAD resolution 98 (IV) that shipowners and liner conferences be invited to consider the establishment of promotional freight rates appeared to have been ignored and should be implemented.

20. The Special Fund in favour of the land-locked developing countries had finally been established, but lack of political will and deliberate disregard of the disadvantages of the land-locked situation in the development process stood in the way. His delegation urged UNCTAD to renew its efforts to translate some of the measures adopted in favour of the land-locked developing countries into action.

EXPORT PROMOTION: REPORT OF THE JOINT ADVISORY GROUP ON THE INTERNATIONAL TRADE CENTRE UNCTAD/GATT ON ITS TENTH SESSION (agenda item 6 (a)) (TD/B/660-ITC/AG(X)/52)

21. Mr. ALATAS (Indonesia), introducing the report of the Joint Advisory Group on behalf of the Chairman of the Group, said that in reviewing the current activities of the International Trade Centre (ITC), the Group had been gratified by the rapid expansion of the Centre's activities during past years. It appreciated the problems encountered by ITC in implementing projects in certain countries, but it had urged the Centre to tackle those problems vigorously, and also to allocate a larger proportion of its total resources in future to trade promotion assistance activities on the African Continent.

22. In the least developed countries, the Group felt that particular emphasis should be attached to building up adequate trade promotion infrastructures through integrated assistance programmes, taking into account those countries' absorptive capacity. The Group noted with satisfaction the increased decentralization of the Centre's training activities through sub-regional training projects, which had lowered training costs per participant; the long-term benefits accruing to developing countries from the training of their instructors and support for their national training institutions; and the Centre's efforts in developing "training packs" for use in its various training activities.

23. Concerning the Centre's work on targeting development for primary commodities, it was recommended that closer links be established with United Nations and other organizations with a view to avoiding overlapping and duplication.

24. With regard to the work programme of ITC, the Group reiterated that integrated assistance projects should continue as the most effective means of assisting developing countries to improve their export capabilities and to build up their self-reliance in foreign trade promotion.

25. The training of public sector personnel in export trade promotion was a key element of assistance, and it was important to build up training institutions in developing countries.

26. Market development activities deserved high priority as a vehicle for the transfer of export marketing know-how to export institutions in developing countries, and also as a stimulus to product adaptation and development. Limitation of basic product marketing research had jeopardized the Centre's ability to provide effective substantive support to market development assistance projects, and that should be remedied.

27. The Centre's excellent evaluation efforts should remain the responsibility of the Office of the Director of the Centre and should be extended to include studies on markets and products; and in paragraph 7 of the report, the Group recommended a series of priorities for ITC's technical assistance activities.

28. Concerning relations between ITC and other bodies concerned with expanding the trade of the developing countries, the Group singled out the move towards co-ordination between the Centre and other United Nations agencies in regard to the development of exports from the developing countries, and also ITC's close co-operation with the United Nations regional economic commissions, particularly ESCAP. In view of the possible lack of trust funds, a report on the subject should be prepared by the Centre for consideration by the Group at its next session.

29. The agreement between ITC and UNIDO might pave the way for fully integrated trade promotion assistance projects with product aspects more fully taken into account; and progress had been made in mutual collaboration between UNDP and ITC.

30. Generous voluntary contributions had been made to the technical co-operation programme of ITC by a number of developed countries, but the Group felt some concern about the rate of project delivery and utilization of certain trust fund contributions. It recommended that future annual reports give a full picture of ITC's total resource situation and information for comparing the programme delivered by the Centre with estimated resources available.

31. In view of the expansion of ITC's activities, the Group had agreed that Governments would be consulted by questionnaire concerning the desirability of introducing changes into the Centre's consultative machinery; that replies would be communicated to all Governments; and that the communication would be considered by the Group's Technical Committee at an extended seventh session in January 1978.

32. Lastly, the Group recommended that ITC should make a greater effort to ensure UNDP finance for trade promotion projects by making the subject of trade promotion and ITC's expertise in that field better known to UNDP representatives and the relevant ministries in developing countries. It also recommended that at a future meeting of the UNDP Governing Council, Governments should raise the question of the allocation of UNDP funds to trade promotion activities.

33. Mr. RIVERA (Mexico) said his delegation hoped that ITC, in preparing its studies on the expansion of international trade between developed and developing countries and among the developing countries themselves, would ensure that a balance was maintained between the trade interests of the developing countries. In relation to studies of individual commodities, the Centre might investigate the systems of marketing the commodities covered by the UNCTAD Integrated Programme for Commodities.

34. If a delegation of a developing country was unable to attend the meetings of the Joint Advisory Group, it was hoped that ITC would not interpret that as lack of interest but would ensure that products or matters of concern to countries not attending were taken into account in its studies.

35. Mr. TINGSKOG (Sweden), speaking on behalf of Finland, Norway and Sweden, said that during the 10 years since ITC was set up, the importance of trade promotion as a means of increasing the export earnings of developing countries had become even greater, especially as trade barriers were gradually reduced.

36. He noted with satisfaction the rapid expansion of ITC in recent years and welcomed the prospective study on the organization, administrative procedures and working methods of the Centre, which should help to transform ITC into an even more efficient and responsive body in the trade promotion area.

37. He was pleased that the Centre had been asked to give priority attention to assistance to the least developed and most seriously affected countries, and he would also like to see more widespread and generous support on the part of donor Governments in providing trust funds for the Centre. The Joint Advisory Group at its most recent session had recognized the importance of additional trust fund contributions for general programme support. That issue was of considerable importance in the common effort to strengthen ITC as the international focal point for trade promotion.

38. Mr. WAHID (Afghanistan) said that the ITC team of experts assigned to the Ministry of Commerce in Afghanistan had done commendable work in furthering export promotion, as well as transportation and transit. While endorsing the Swedish representative's comments, his delegation pointed out that difficulties had arisen which had led to delays and interruptions, and felt that it would be useful if ITC could be given greater autonomy of action within the context of UNCTAD/GATT activities.

39. The PRESIDENT said that the Board took note of the report of the Joint Advisory Group and of the recommendations contained therein.

REVIEW OF THE DEVELOPMENT OF THE LAW OF INTERNATIONAL TRADE: TENTH ANNUAL REPORT OF THE UNITED NATIONS COMMISSION ON INTERNATIONAL TRADE LAW (agenda item 6 (b))

40. The PRESIDENT said that UNCITRAL's annual report to the General Assembly was due to be submitted simultaneously to the Trade and Development Board for comments; but since the tenth annual report of UNCITRAL was not yet available, he suggested that the Board defer the item until the second part of the seventeenth session.

41. It was so decided.

TRADE AND ECONOMIC ASPECTS OF DISARMAMENT (agenda item 6 (d))

42. The PRESIDENT, outlining the background of the item, said that at its thirty-first session the General Assembly had invited all States to communicate their comments to the Secretary-General, who would prepare an analysis of them with the assistance of an intergovernmental group of budgetary experts, which had met in May/June and in August 1977.

43. Mr. PANKINE (Union of Soviet Socialist Republics), speaking on behalf of Group D said that in view of the present world situation, the trade and economic aspects of disarmament were a very topical issue, since the arms race was becoming increasingly dangerous and costing the world nearly $1 million every minute.

44. The sums devoted to armaments represented a heavy burden on all countries, including the developing countries, and only served to aggravate the position of workers everywhere. The arms race was incompatible with the necessary restructuring of international relations and was exerting a negative influence on the interchange of economic and scientific knowledge and on the balance of payments.

45. The socialist countries were anxious that concrete measures should be taken to halt the arms race and had already made a number of constructive proposals for that purpose. It was to be hoped that UNCTAD would make full use of its international prestige to speak out against the arms race and continue its investigation of the beneficial effects of disarmament.

46. Mr. CHAO (China) said that although the question of trade and the economic aspects of disarmament was discussed year by year in the Board, the super-Powers continued to expand their armaments. One of them, while advocating disarmament and calling for the savings released by disarmament to be used to assist the developing countries, was cynically increasing its arms at full speed, and its aggressive actions were seriously threatening world security. China was in favour of real disarmament but was opposed to general appeals for disarmament in which no distinction was made between the aggressors and the victims. The fraudulent game played by the super-Powers had to be exposed, and the developing countries must rely on their own forces to fend off big-power hegemony, colonialism, aggression and exploitation, and radically to change the old system of international economic relations. The assertion made by a super-Power that the most important prerequisite for development was disarmament was a falsehood merely intended to divert the struggle waged by the developing countries.

47. His delegation considered that discussion of item 6(d) was of no practical use for the economic advancement of the developing countries, and would not contribute to their endeavours to establish a new international economic order. It would therefore not be participating further in the discussion. He asked for his statement to be included in the record of the meeting.

IMPACT OF ENVIRONMENT POLICIES ON TRADE AND DEVELOPMENT, IN PARTICULAR OF DEVELOPING COUNTRIES (agenda item 6 (e)) (TD/B/658)

54. The PRESIDENT said that, in accordance with a request made by the Board at the first part of its fifteenth session, the secretariat was presenting a progress report to the Board on the topic in question, describing the work done in relation to environmental issues bearing on international trade and development.

55. Mr. PANKIN (Union of Soviet Socialist Republics), speaking on behalf of Group D, said that the preservation of natural resources required ever increasing expenditure which, in capitalist systems, was regarded as an unavoidable evil adding to the burden on the economy. In the socialist countries the basic conditions had been created for harmonizing economic progress with the protection of natural resources on the basis of public ownership of the means of production and the unified planning of economic, scientific and technological development. The system of production used the economic mechanism to ensure that expenditure on environmental protection did not conflict with the interests of industry. The administrative authorities and other bodies pursued the same goal, since one of their functions was to protect the environment as a factor in development and in the well-being of the people. Thus it was impossible for measures taken in that respect to have a negative impact on international trade.

56. Mr. HAJEFNIK (Observer for the World Federation of Trade Unions), speaking at the invitation of the President, said that WFTU believed that the workers and their trade unions had a vital role to play in the establishment of a new and equitable international economic order. It felt that greater emphasis should be laid by UNCTAD on the fact that the limitation of the arms race, and particularly of nuclear weapons, was the most important condition for solving economic development problems and especially those of the developing countries. Agenda item 6 (d) should therefore be the focus of UNCTAD's attention.

57. With regard to item 6 (e), WFTU recognized that development was not only essential to satisfy basic human needs but was a key factor in the maintenance and improvement of the quality of the environment, including the working environment. WFTU attached great importance to the conditions in which men and women had to work, and it believed that the views of trade unions should be taken into account in any negotiations on the impact of environmental policies on development.

58. Such participation was also connected with a key question for UNCTAD, namely, the transfer of technology, which directly affected the vital interests of large groups of workers in developed and developing countries since it had a bearing on such important matters as employment, wages, environment and working conditions. WFTU therefore urged that the trade unions be allowed to participate in all UNCTAD negotiations on the transfer of technology, possibly through consultations in which representatives of Governments, industry and the trade unions would take part.

DRAFT RESOLUTION ENTITLED "IMPACT OF REGIONAL ECONOMIC GROUPINGS OF THE DEVELOPED COUNTRIES ON INTERNATIONAL TRADE, INCLUDING THE TRADE OF DEVELOPING COUNTRIES" (agenda item 8 (b)) (TD/L.66 and Corr.1-3)

59. The PRESIDENT said that the draft resolution in document TD/L.66 had been deferred for consideration by the present session. If no one wished to speak on it, he suggested that it be referred to a subsequent session of the Board for consideration in plenary at the request of interested delegations.

60. It was so decided.

The meeting rose at 5.35 p.m.